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SUBJECT: IN SEARCH OF VIABILITY: RESTRUCTURING, EU MARKET
ACCESS, AND COMPETITIVENESS FOR SURINAME'S BANANA EXPORTS

REF: A. 03 PARAMARIBO 067

[1](#)B. 04 PARAMARIBO 196

[1](#)C. TEGUCIGALPA 668

[1](#)D. 05 PARAMARIBO 337

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Summary

[1](#)1. The European Union's (EU) development assistance package for Suriname's banana sector targeted improving productivity in the hopes of making Suriname's state owned banana company SBBS - attractive enough to potential buyers for the next round of privatization in June 2006. As an African, Caribbean and Pacific (ACP) banana exporting country, Suriname also expects to gain from the EU's revised 2006 liberalized tariff rates for ACP banana imports. It is as yet unclear whether the combined aid and lowered tariff restrictions are sufficient to make the company attractive enough to potential buyers, especially if non-ACP Latin American banana producers (i.e., "dollar bananas") still manage to crowd out Suriname exports in the EU market. End summary.

[1](#)2. Beginning in 2003 and 2004 the EU spend almost 2.5 million Euros to help restructure SBBS after the GOS had declared the company bankrupt and suspended its operations (See Ref. A). The EU invested an additional 2 million Euros in 2005 for irrigation improvements. Finally, on February 28 the Government of Suriname (GOS) received an additional 4.46 million Euros bringing the total assistance package to approximately 9 million Euros to help modernize and rehabilitate the ailing state owned banana company. IDB also contributed an additional 7.3 million USD.

[1](#)3. As a consequence of EU development assistance, banana exports resumed in 2004 and the GOS began the process of preparing to privatize the firm (See Ref. B). In 2005 SBBS produced 3.3 million boxes, a 256 percent increase since resumption of production in 2004. By September 2005, SBBS was again fully operational and able to re-employ 1,750 laid-off workers. Productivity yields realized in 2005 were 1,918 boxes per hectare. F.o.b. costs in 2005 averaged 7.81 USD per box while the goal was set at 6.21 USD per box. At

a recent signing ceremony between Suriname's Minister of Planning and Development Cooperation, Rick van Ravenswaay, and local EU representative, Helena Laakso, both sides expressed confidence that Suriname's banana sector will soon see better days as they anticipate the next round of privatization.

¶4. This financial assistance comes on the heels of the EU's decision in November 2005, to adopt a new regulation setting the import tariff for bananas from MFN countries (i.e., "Latin dollar bananas") at 176 Euros per metric ton (m/t). The new import regime, which includes a duty-free annual import quota of 775,000 m/t for ACP bananas, went into effect January 1, 2006. In obtaining export licenses in 2005 for 35,000 m/t of bananas, Suriname exporters spent a total of 9 million Euros. For 2006, Suriname is expecting with the new tariff structure to spend only 3 million Euros -a significant saving. This new rate has drawn the ire of non-ACP producers (see Ref. C), however these EU adjustments are meant to have the positive effect of decreasing costs for Suriname's banana producer and thus freeing more funds for working capital.

¶5. According to Minister van Ravenswaay, the GOS will continue to work to further "stabilize" the company as it moves to the next privatization round. The last round of privatization efforts in May 2005 failed to attract any bidders (see Ref. D). Some trade experts have estimated that the average non-ACP Latin American bananas f.o.b. costs average \$5.60/box, it is yet to be seen whether the effects of the new EU tariff of 176 Euros per m/t on dollar bananas can keep Surinamese exports competitive with their f.o.b. costs in 2005 averaging 7.81 USD per box. The stabilization of the company alluded to by the Minister will need to take the dollar banana benchmark into account in order to make the company attractive enough to potential buyers.

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¶6. A "Call for Expression of Interest" was published in Paramaribo newspapers on Saturday April 22, 2006. The call was opened to all national and international registered companies who are either directly involved in the banana business or are in a partnership with such an international company. This move is seen as giving fair notice to local bidders who complained that they were excluded in last round by larger international firms. SBBS plantations are located on 2 estates, Jarikaba, which covers 1,350 hectares, and Nickerie, which covers 1,012 hectares. Currently the company has 1,547 hectares under production. The deadline for submission of interest was April 29. A decision is expected by June.

Comment

¶7. As SBBS goes through its current privatization cycle, it remains unclear whether future/continued productivity gains under EU assistance and tutelage can get Suriname banana exports to the benchmark f.o.b. costs of so-called dollar banana exporters from non-ACP Latin American countries. A show of interest by international bidders in this tender round will signal a new found confidence that the gains in SBBS's productivity and market access can/will sustain the competitiveness of Suriname's banana sector.

BARNES